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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

18 February 1960

THE WEEK IN BRIEF**PART I****OF IMMEDIATE INTEREST****NUCLEAR TEST TALKS Page 1**

In formally rejecting the American proposal for a limited treaty, the Soviet delegate, in a counterproposal, has moved to divide the Western delegations by adopting an earlier British suggestion for temporary control measures, provided the West agrees to a small fixed quota of on-site inspections of suspected nuclear explosions. The Soviet concession accepts, within the fixed-quota limitation, the more liberal American criteria for initiating on-site inspections, making eligible almost any unidentified seismic event. Moscow probably believes that this move will make it increasingly difficult for the United States to continue its opposition to the fixed-quota proposal advanced last winter by Prime Minister Macmillan.

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FRANCE'S NUCLEAR TEST Page 2

France appears ready to press ahead with a broad nuclear weapons fabrication and test program, including one or two additional atmospheric tests before Khrushchev's arrival in Paris on 15 March. World reaction to the 13 February test has been almost entirely unfavorable, ranging from cool "no comment" by some of France's Western allies to violent criticism by some of the Asian and African states. Ghana and Morocco underlined their protests by diplomatic and economic sanctions. Soviet propaganda has been highly critical and disparaged the test weapon as "primitive." Khrushchev, while "regretting" the test, said it would not affect the summit conference or the current negotiations in Geneva.

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KHRUSHCHEV'S PRE-SUMMIT MANEUVERS Page 6

A new formula put forward at the recent pre-summit strategy meeting with bloc leaders by Khrushchev, and subsequently outlined publicly by East German Premier Grotewohl, calls for two basically similar peace treaties, one between the West and Bonn and the other between the bloc and East Germany. Khrushchev will elaborate on this procedural variation at the summit in pressing the West to negotiate a German peace treaty.

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MIDDLE EAST HIGHLIGHTS Page 8

Iraqi Prime Minister Qasim has given another jolt to the Iraqi Communists by dismissing the pro-Communist minister of agrarian reform. The orthodox Communist faction in Iraq continues to campaign strongly, with Moscow's support, to get the Qasim regime to recognize it as a party after the initial rejection of its application for legal status. Although there are no signs that Tel Aviv intends to make any military moves at this time, the Israelis have warned that they will raise the Suez Canal issue by sending ships to seek passage "from time to time."

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PART II**NOTES AND COMMENTS****KHRUSHCHEV IN INDIA AND BURMA Page 1**

The public welcome accorded Khrushchev in India from 11 to 16 February fell far short of that received during his earlier visit in 1955 or that given President Eisenhower last year. The visit was marked by a lack of public enthusiasm and marred at its conclusion by rising criticism of some of Khrushchev's more extreme statements. Khrushchev nevertheless gained some support from Nehru in the final communiqué for the positions on total disarmament and "peaceful coexistence" which he will champion in coming negotiations with the West. The Burmese Government and people have accorded Khrushchev the minimum welcome consonant with the dictates of protocol. In contrast, elaborate preparations were made to greet him in Indonesia, where he received a warm, if not spontaneous, reception.

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TENTH ANNIVERSARY OF THE SINO-SOVIET ALLIANCE Page 3

Peiping's treatment of the tenth anniversary of the Sino-Soviet treaty of alliance on 14 February reflects the conviction of the Chinese leaders that the relationship is indispensable to Peiping. At the same time, the anniversary propaganda shows the two allies still in disagreement over the best political tactics to be pursued toward the United States.

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PART II (continued)**CARIBBEAN TROUBLE CENTERS Page 5**

New Panamanian demonstrations, possibly more violent than those of November 1959, may follow the action of the US Congress declaring its opposition to Panama's desire to fly its flag in the Canal Zone. In Cuba, the rapidity with which Castro is moving toward closer ties with the Soviet bloc and intensifying controls over business, finance, labor, and news media is creating a sense of desperation among middle- and upper-class Cubans. In the Dominican Republic, Trujillo appears to have about an even chance of remaining in power through the end of 1960, and US influence there will probably decline under any succeeding regime, since many dissidents resent past US support for the present government. [REDACTED]

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KHRUSHCHEV REVAMPS SOVIET PARTY UNIT Page 7

Recent information indicates that the important Bureau for the RSFSR, a key unit in the Soviet party administration which has been headed by Khrushchev since 1956, has been quietly revamped during the past year. Apparently only five of the twelve members appointed in 1956 remain. Party presidium member Averky Aristov, as Khrushchev's second-in-command on the bureau, is in effect the party chief of the largest and most important of all the Soviet republics and is in a key position to develop a powerful personal following. [REDACTED]

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YUGOSLAVIA'S RELATIONS WITH THE BLOC Page 9

Despite indications that Khrushchev has recently sought increased Yugoslav support for his foreign policies, particularly concerning East Germany, neither he nor Tito seems willing to make the concessions necessary for a real improvement in relations or even for significantly expanded cooperation in the foreign policy sphere. There has been some easing in Belgrade's relations with the East European satellites, but Communist China continues to attack Yugoslavia as a "renegade" state. [REDACTED]

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BLOC STRESSING CLOSE TIES WITH GUINEA Page 10

The USSR and the five European satellite countries which have trade agreements with Guinea have succeeded in diverting a large portion of Guinea's foreign trade from its traditional Western trading partners. The USSR has underscored its desire to strengthen political and economic ties with Guinea by announcing that Khrushchev will visit there later this year. Moscow has begun implementation of its \$35,000,000 economic and technical cooperation agreement with preparations to establish a vocational school accommodating 2,500 students in Conakry. [REDACTED]

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PART II (continued)**GROWTH OF MEDIUM AND SMALL INDUSTRY IN COMMUNIST CHINA . . . Page 11**

Communist China's medium and small industrial plants, after inauspicious beginnings, are developing into an important component of the industrial establishment, particularly in the coal, iron, steel, and cement industries. The so-called "backyard" operations popularized in 1958 have been abandoned, but the regime in 1959 emphasized construction of comparatively modern facilities of medium size to allow fuller use of scattered resources and to supplement the output of major producers. The program has a number of advantages and can be expected to remain for some time a feature of Chinese industrial development.

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SINO-INDIAN BORDER DISPUTE Page 13

The diplomatic stalemate between India and Communist China on the border question has been broken as a result of Nehru's invitation to Chou En-lai to meet with him informally in New Delhi in March. Nehru's suggestion is a significant shift from his previous insistence on certain preconditions to such talks, but he strongly reasserted that formal negotiations are "not possible" on the basis of China's position that the entire border is undelimited. Nehru's willingness to confer with Chou will be viewed by the Chinese as a concession. Chou probably will agree to talks this spring, but the site may be subject to further negotiations.

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RELATIONS BETWEEN BHUTAN AND INDIA Page 14

India's influence in Bhutan is being expanded slowly despite historic Bhutanese suspicions and the ruling family's policy of restricting contacts with the outside world. Sino-Indian border problems have led New Delhi to step up economic aid and to plan for the military defense of this former British protectorate.

25X1

TUNISIA Page 15

Tunisian President Bourguiba has recalled for consultation his ambassadors assigned to NATO capitals, probably preliminary to a new move to enlist NATO assistance in persuading France to evacuate Bizerte. Not desiring to add to the problems of President de Gaulle, now preoccupied with Algeria, Bourguiba postponed his popular "battle for Bizerte"--which was to have begun on 8 February--but again emphasized that Tunisia's goal is to see the French out of the base.

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The highlight of the congress of the Austrian People's party on 11 and 12 February was Chancellor Raab's resignation as party chairman, and this may mark the beginning of a decline in Austria's successful postwar experiment in coalition government. Raab has been his party's most powerful personality, and expectations that he will retire from political life in a year or so are in keeping with other indications of the party's dissatisfaction with its 14-year-old alliance with the Socialists.

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BRITISH TRADE UNION TROUBLES Page 18

The 5-percent interim wage increase awarded British railway workers on 12 February marked a setback to the chancellor of the exchequer's anti-inflation program. Increasing militancy among the trade union membership over wages and other disputes could endanger Britain's controlled economic expansion program and in the long run hurt the Conservative government's standing.

PART III**PATTERNS AND PERSPECTIVES****THE USSR AND THE CUBAN REVOLUTION Page 1**

In the nearly 14 months since Castro's revolutionary forces took over in Cuba, the Soviet bloc's attitude has changed from cautious approval of the government to optimism regarding the opportunities the situation presents for the advancement of Soviet interests in Latin America. The sending of Mikoyan to Havana indicates the importance Moscow now attaches to its relations with Cuba. The USSR's extension of substantial credits and agreement to buy more than three times its previous average annual purchases of Cuban sugar are ample evidence of the Soviet intention to

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exploit the Castro government's "neutralism," anti-Americanism, and desire for economic independence. The resumption of diplomatic relations is to be discussed by the two countries. One of the USSR's principal assets in Cuba is the local Communist party, which has been able to acquire considerable influence. [REDACTED]

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COMMUNIST CHINA'S ETHNIC MINORITIES Page 5

Communist China has 35,000,000 non-Chinese people--6 percent of the total population--who make up the ethnic minorities which occupy some 50-60 percent of China's land area. The application since 1958 of "leap forward" economic programs, especially the communes, in minority areas is Peiping's strongest move to strengthen its hegemony over these peoples and to facilitate exploitation of the minerals and farmland in their areas. Other than in Tibet, little armed opposition can be expected to the Communist programs. [REDACTED]

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Page 10 25X6**THE TURKISH ECONOMY 1959-1960 Page 13**

Turkey's economy, although still far from healthy, has improved substantially since the Western-backed \$359,000,000 stabilization program was adopted in August 1958. Now, however, Prime Minister Menderes, who may call for elections this year, has included in his 1960 budget several politically inspired and inflationary projects. Menderes' policy of development regardless of costs came close to wrecking the national economy two years ago. The ability of Turkey's allies to apply pressure in support of the stabilization program in the coming months has been weakened by Ankara's increasing tendency to deal bilaterally and to bypass Western regional economic organizations. [REDACTED]

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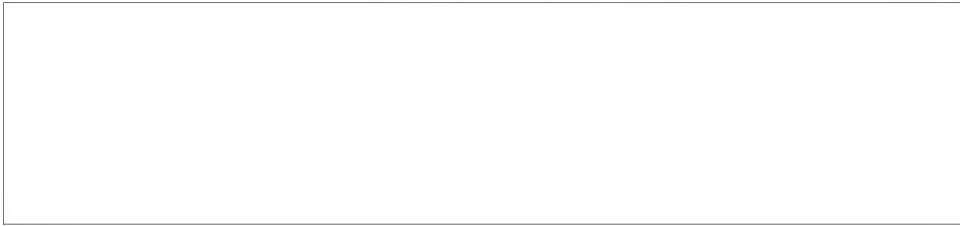
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PART I**OF IMMEDIATE INTEREST****NUCLEAR TEST TALKS**

In a move to divide the Western delegations, the Soviet delegate at Geneva on 16 February formally rejected the recent American proposal for a limited test ban treaty and offered to accept a set of temporary standards for detecting underground nuclear explosions, provided the West agrees to Khrushchev's proposal favoring a fixed number of on-site inspections of suspected nuclear explosions each year.

Adopting suggestions along the lines put forward by the British delegate on 15 January, the Soviet plan calls for temporary control measures during the approximately two to three years needed for setting up the inspection control system, and in effect accepts, within the fixed-quota limitation, the Western contention that almost any unidentified seismic event should be eligible for an on-site inspection. Under the Soviet proposal, the control organization would, during the two- to three-year period, develop and make more precise the number of criteria for sending out inspection teams.

The British delegate had asked Soviet delegate Tsarapkin on 15 January whether the Soviet Union could agree to Western criteria for dispatching inspection teams if the West were to accept the quota proposal. The Soviet delegate said the British question deserved "careful attention" and remarked that it could "possibly" provide the way for resolving the technical impasse.

Moscow may have believed that the British suggestion

could lead to a formula to ban all testing "temporarily" until a satisfactory system for detecting and identifying small underground explosions is developed, after which the ban would become permanent. In presenting its new plan, the USSR probably believes that it will divert the negotiations from the American proposal for a partial treaty and effectively promote the Soviet position favoring an initial ban on all testing.

After the presentation of the American plan for a partial treaty on 11 February, the Soviet delegation at Geneva moved immediately to discredit it by posing a series of questions designed to portray the American proposal as a "conspiracy" to permit the resumption of nuclear testing. Tsarapkin charged that the proposal not only sanctioned a resumption of tests but "legalized" it, and strongly implied that the United States had plans to resume testing of small nuclear weapons. Hinting that once tests were resumed they could not be limited, he charged that other states might have different weapons development programs, necessitating tests in "other environments which they would be free to carry out."

Before introducing his counterproposal on 16 February, Tsarapkin charged that after 15 months the talks had been close to agreement on a comprehensive treaty until the "180-degree American shift." Calling the US move a "serious and dangerous step backward," he put forward his new proposal "to overcome this serious obstacle." He

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avoided giving the Soviet view of what "specific quota number" should be adopted, stating that the idea should first be agreed to "in principle."

In debate with the British delegate, he attempted to draw the British into an admission that London's position differed significantly from the United States' view as to the advisability of testing during the present negotiations. He charged that the difficulties in the negotiations were caused by the inspection issue, "on which the USSR had accepted

the principle proposed by the British prime minister."

Moscow probably believes that its firm rejection of the American plan, coupled with its concession to the Western technical position, will make it increasingly difficult for the United States to continue its opposition to the Soviet scheme for a small, politically determined, annual quota of inspections, particularly in light of British support of the general concept.

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FRANCE'S NUCLEAR TEST

France appears ready to press ahead with a broad nuclear weapons fabrication and test program.

gaseous diffusion plant now under construction, is unlikely before 1963.

Although France lacks instruments for measuring underground tests, there are indications Paris is actively investigating underground testing. The unexpectedly violent international reaction to the first French shot may accelerate a decision to change over to underground testing.

Some French officials have already referred publicly to plans for advanced nuclear and thermonuclear weapons. National production of highly enriched U-235, which depends on the expansion of a

Official Western reaction has been slight and generally cool, with only West German Chancellor Adenauer suggesting that the French test improves the Western defense posture.

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Independent African states, which had sought unsuccessfully to forestall the French testing program by mobilizing African and world opinion against it, were the most intense in their adverse reaction when the long-planned explosion finally occurred. In addition to reflecting genuine fear of the possible physical effects of the blast, this revealed again the depth of anti-French sentiment latent in many parts of the continent.

In Accra, Prime Minister Nkrumah, whose regime has long

exploited the test issue as part of its drive for leadership of the growing bloc of independent African states, announced that, "as a first step," he was freezing the assets of French companies in Ghana--unofficially estimated at \$14,-000,000--until the effect of the Saharan testing program on Ghana's population becomes known. Nkrumah's move appears to have been patterned after Cairo's similar action at the time of the 1956 Suez crisis and may have been directly encouraged by the UAR ambassador.

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The American ambassador in Accra believes Nkrumah may, at some point, even sever diplomatic relations with Paris over the bomb issue. Meanwhile, Ghana's government-controlled press is continuing an unrestrained campaign of incitement against France and to some extent also against the United States and Britain for allegedly supporting De Gaulle.

Elsewhere in Black Africa, the reaction has so far apparently been more moderate, although Nkrumah's move against French assets has been hailed by nationalist elements in still dependent Nigeria and Sierra Leone. Liberia's President Tubman was scornful of Nkrumah's action and made light of the French test, but will probably be anxious to keep in step with prevailing African opinion and may yet adopt a harsher line toward France.

Morocco, which claims a large portion of the western Sahara where the French test occurred, has summoned home its ambassador in Paris and announced the abrogation of a 1956 accord under which the governments agreed to coordinate their policies and France was allowed to represent Morocco in certain countries where Rabat maintains no envoy. These measures followed sharp anti-French outbursts by nationalist elements, especially spokesmen for the opposition Istiqlal party, which on 15 February sponsored a partially successful general strike in protest.

Morocco, as well as Tunisia, where press criticism of France has so far not been accompanied by any official statement or action, can be expected to attempt to use unfavorable domestic and

international reaction to the French test in their campaigns to hasten evacuation of remaining French military forces.

The UAR is exploiting the issue by broadcasts in Swahili to East Africa which play on widespread African fears of the effects of fallout. Some popular demonstrations occurred in Libya where, at the official level, Prime Minister Kubaar denounced France in his 15 February speech opening parliament. The Sudanese Government lodged a formal protest through the French ambassador in Khartoum.

At the UN, Morocco and the UAR, supported by Tunisia and Ghana, appear to be pushing within the Asian-African group for either an early Security Council meeting or a special session of the General Assembly, which last November called on France to forego its planned tests. Asians are reported cool to either alternative, however, and the Africans appear uncertain among themselves as to how the issue should be handled and what action should be sought.

Asian Reaction

In Asia, where comment has been more limited, the sharpest reaction has been in Japan. In a formal protest to France, the Kishi government expressed its "deep regret" that Paris had ignored the UN resolution. All Japanese political parties and newspapers condemned the test.

Strongly critical press reaction in Indonesia suggests that Djakarta would be under considerable pressure to participate in any joint action against France which might develop within the Asian-African

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framework. Foreign Minister Subandrio indicated on 16 February that his government would make a formal protest.

Reaction in India has been similarly critical. Prime Minister Nehru on 17 February called France's disregard of world opinion "a matter of great regret."

Sino-Soviet Bloc Reactions

The Soviet leaders apparently do not intend to use the French test as a pretext for revoking their 29 August pledge that the USSR would not resume tests unless the "Western powers" did so, although Mikoyan raised this possibility before leaving Cuba, stating that "it is a problem which must be discussed."

Renouncing its pledge at this time would cripple the Soviet position at Geneva which insists on a comprehensive ban on all nuclear testing, in contrast with the new American proposal for a limited treaty not including cessation of small underground experiments. Over the past few months, Soviet officials have [] stated that their pledge covered only American and British tests. The official TASS statement warned that "if nuclear explosions should continue," the USSR could not "fail to draw the proper conclusions"; this was probably intended to maintain intact the long-standing public position of opposition to any further testing.

Khrushchev has carefully avoided committing himself, although he did say in India that the test would not affect the summit conference or the negotiations in Geneva. Khrushchev's statement that he believes

De Gaulle favors a relaxation of international tension reflects Moscow's policy of avoiding any moves which would jeopardize its relations with France prior to Khrushchev's visit and the summit meeting.

According to Western press sources, Mikoyan stated in Oslo, while remarking on the French tests, that Communist China may ultimately get nuclear weapons if there is no nuclear test ban. He was purposely vague however, as to whether such arms would be supplied by the Soviet Union or whether China--as has often been repeated by Moscow--would ultimately develop such weapons itself. Peiping is heavily critical of the testing program, linking it to "US plans for a nuclear war."

Soviet propaganda has emphasized the health danger of the French testing program, warning of the fallout not only over nearby countries but also over Italy, Greece, Yugoslavia, Czechoslovakia, and France itself. Moscow's propaganda combined denunciation of the French with disparagement of the test device itself as "primitive" and "unwieldy," citing "press reports" that the weapon is "not suitable for delivery by aircraft or any other means."

The European satellites have taken a similar line. Most countries mention alleged American assistance to the French in enabling them to carry out the test, with East German media alleging that Bonn helped also. The United States is blamed for delaying the Geneva test ban talks, the successful conclusion of which, it is asserted, would have prevented the French test program. []

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KHRUSHCHEV'S PRE-SUMMIT MANEUVERS

During the recent meeting of bloc leaders in Moscow, a concerted line of action was developed for the pre-summit period. Khrushchev is reported to have put forward a number of new moves to be undertaken by the East Germans in an effort to strengthen his position in pressing the West for a German peace treaty and all-German negotiations. He suggested a new formula for concluding two basically similar peace treaties, one between the West and Bonn and the other between the bloc and East Germany.

This variation was outlined publicly by East German Premier Grotewohl on 10 February. He explained that "both peace treaties" would be basically of the same content, settle the same problems, and "lead to the same results." He added that "such a procedure would do away with the objections which are being raised by some governments" to concluding a peace treaty with both German states. Pravda on 11 February emphasized these aspects of Grotewohl's speech.

Khrushchev reportedly plans to elaborate on this formula at the summit conference and again to urge negotiations on the principles of a peace treaty, which could then be amplified, possibly in a four-power commission. East German party boss Ulbricht's public suggestions along these lines on 7 February were reportedly made at Khrushchev's request to set the stage for introducing the subject at the summit as an East German initiative.

Moscow has moved to gain the adherence of monbloc powers to a separate peace treaty with East Germany. During Soviet President Voroshilov's visit to

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India, Deputy Foreign Minister Kuznetsov pressed Nehru for recognition of East Germany, and the West German Embassy in New Delhi believes Khrushchev also intended to raise this problem with Nehru. The Turkish ambassador to Thailand has informed American officials that he has learned Moscow is also approaching Cambodia and possibly other neutralist countries on this question. The Thai foreign minister has confirmed that Moscow recently had indirectly sounded out Bangkok.

Disarmament

Poland has sought this past week to maintain pressure on West Germany to accept all-German negotiations on armament limitations in Germany by tying cutbacks in its forces to a reduction in West German forces. Polish Foreign Minister Rapacki on 16 February declared that Poland would follow the Soviet Union's example and reduce its

armed forces only if West Germany would do likewise.

Charging that the Adenauer government has chosen the road leading to war, Rapacki said that Poland's defense effort depends on the scale of West German armament. He reiterated that the "German issue" is the main international problem in East-West relations and remains the key subject in Polish foreign policy.

Touching briefly on the Warsaw Pact conference in Moscow two weeks ago, Rapacki said discussions on means of easing international tensions and furthering peaceful coexistence took precedence over defense matters.

West German Position

In a speech at Cologne on 15 February, West German Chancellor Adenauer made his strongest public appeal to date for Western firmness in regard to the issue of Berlin. He said the "crucial" factor was whether the free nations, "above all the United States," will abide by their "word." Declaring he had used such strong language purposefully, Adenauer added that to give in on the Berlin issue would be "the end."

He reiterated his stand of recent weeks that Germany, like other nations, should be granted the right of "self-determination."

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MIDDLE EAST HIGHLIGHTS**Iraq**

The Iraqi Communists have suffered their second jolt in two weeks as a result of the dismissal on 16 February of pro-Communist Ibrahim Kubba, minister of agricultural reform and acting minister of oil affairs, from the Qasim cabinet. Kubba's dismissal followed a long struggle between Kubba and the anti-Communist minister of interior, Brigadier Yahya, for control of the agricultural reform program. Yahya, a confidant of Qasim, has been made acting minister of agrarian reform in addition to his other duties. Another extreme leftist, Minister of Planning Shaybani, has taken over the oil portfolio on an acting basis.

The dismissal may presage an attempt by the Qasim regime to lay the blame for agricultural disasters and disorganization at the door of Kubba and Communist-dominated peasant organizations which he favored. However, the general disorganization of agriculture is likely also to furnish the Communists with a handle to criticize the Qasim regime. Discontent in the countryside will probably rise in any case, since 1960 crop prospects appear unusually poor.

The orthodox Communist faction, whose application for legal recognition as a party was turned down last week, has resubmitted its application and

changed its name from the Communist party of Iraq to the Union of the People. Apparently fearing a second rejection, the Communist press has begun a campaign for a "national front" and is claiming support from the Communist parties of the USSR, Lebanon, Syria, Bulgaria, and Czechoslovakia. Meanwhile, another Communist front group has tendered its application for recognition. This group, calling itself the Republican party, includes the pro-Communist director general of oil affairs, Abd al-Fattah Ibrahim, among its leaders.

Moscow has reacted to Qasim's rejection of the application of the "orthodox" Iraqi Communists by extensive press and radio publicity of this faction's "platform," an indication of Moscow's concern over Qasim's recognition of the splinter group. Nevertheless, the USSR is continuing its efforts to expand its ties with the Qasim regime, as exemplified by the announcement on 10 February that the USSR is willing to help Iraq by building a 330-foot-high hydroelectric dam on the Tigris and several water control projects in the Tigris-Euphrates basin.

The expectation that sentences will be handed down next week to those accused of attempting to assassinate Qasim may have accelerated plans among army elements to overthrow his regime.

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Arab League

Unconfirmed press reports furnished virtually all the news on the progress of the sessions of the Arab League which began in Cairo on 8 February. When the initial meeting revealed wide differences of opinion among the delegates, closed sessions were decided on and continued through 15 February. The delegates appear to have split over a UAR-supported plan for some form of Palestine "entity." A three-man committee representing Morocco, Libya, and Saudi Arabia has been formed to create "a Palestine entity," involving a charter for Palestine, admission of Palestine to the Arab League, and a permanent Palestinian delegation to the United Nations.

The Jordanian representative, Foreign Minister Nasir, left Cairo for Amman on 16 Feb-

ruary for consultations. The Jordanian chargé in Cairo has stated that the plan for Palestine as outlined in the press would be unacceptable to his government. King Husayn has already offered Jordanian citizenship to all Palestinian refugees, and is unalterably opposed to the creation of a separate state likely to be under UAR influence.

The positions of other representatives are unclear, but it seems certain that no practicable program for a solution of the Palestine problem will emerge, and it is likely that intensified inter-Arab antagonism and bickering may be the chief result.

Israel-UAR

The Israeli-Syrian Mixed Armistice Commission, which met on 16 February without the Israelis, condemned Israel for

ISRAEL AND THE ARAB STATES**SELECTIVE ARMAMENTS INVENTORY***

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	TANKS			MISC ARMORED VEHICLES	FIELD ARTILLERY			ANTITANK		ROCKET LAUNCHERS RECOILLESS	ANTIAIRCRAFT		MORTARS
	LIGHT	MEDIUM	HEAVY		SELF PROP	75-105 MM	106-155 MM	SELF PROP	57-75 MM		20-40 MM	75-130 MM	81-160 MM
UAR EGYPT	40	335	92	819	8	161	266	142	333	1400	465	138	428
UAR SYRIA		300		551	9	121	200	114	177	143	433	62	477
TOTAL UAR	40	635	92	1370	17	282	466¶	256	510	1543	898	200	905
JORDAN		130		453		116	18	36	104	459	120		154
IRAQ	36	205	125**	476		419	164¶¶	52	129§	179	363	51	348
LEBANON	40	20		140		18	18			97	66	12	96
YEMEN		30		124	61		34		135	10	106	26	
SAUDI ARABIA	36	18		114		81	6		15	1784	114	32	638
TOTAL ARAB	152	1038	217	2677	78	916	706	344	893	4072	1667	321	2141
ISRAEL	175	366	16	1413	199	584	92	124	385	5599	914	92	1534

* Certain obsolete items have been omitted.

** Centurion tanks, although medium-gunned, are classified as heavy (by weight) in this inventory.

¶ Including 32-tube 130mm truck mounted rocket launchers in both countries.

¶¶ Including 13 8-inch howitzer US and 24 16-tube 132mm truck mtd rckt launchers.

§ Including 24 82mm AT SPG 82.

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AIR FORCES									
	FIGHTERS		BOMBERS		TRANSPORTS		OTHER		TOTAL
	Jet	Piston	Jet	Piston	Jet	Piston	Jet	Piston	
UAR	178	15	70	3		48	10	70	394
EGYPT									
UAR	50					5	18	104	177
SYRIA									
TOTAL UAR	228	15	70	3		53	28	174	571
JORDAN	25					7	2	18	52
SAUDI ARABIA	19			8		11		35	73
LEBANON	20			3			4	21	48
YEMEN		30				3		19	52
IRAQ	76	37	12			6	12	70	213
TOTAL ARAB	368	82	82	14		80	46	337	1009
ISRAEL	159	36	10	9		23	8	128	373

NAVAL FORCES								25X1	
	DESTROYERS (DD)	PATROL VESSELS (PF PR PC PY SC)	MOTOR TORPEDO BOATS (PT)	MINE CRAFT (MSC/MSP)	SUBS (SS)	AMPHIB. CRAFT	OTHER		
UAR	4	2 (4)	18	4 (4)	8 (1)			9	
EGYPT									
UAR		3	14	2			(3)	5	
SYRIA									
TOTAL UAR	4	5 (4)	32	6 (4)	8 (1)		(3)	14	
IRAQ		5	6						
LEBANON							2	4	
JORDAN								2	
SAUDI ARABIA									
TOTAL ARAB	4	10 (4)	38	6 (4)	8 (1)		2 (3)	20	
ISRAEL	2	5	13 (2)*		1 (1)**		13	4	

Figures in parentheses indicate inactive ships (both nonoperational and those undergoing repairs).

* In addition there are 6-10 PT under construction in France and Italy.

** One submarine, although transferred to the Israeli Navy, is still in the UK.

violating Syrian air space and attacking the village of Tawafiq on 1 February. The UN chairman of the commission voted with the Syrian representatives. Israel boycotted the meeting because it claims sovereignty over Tawafiq and the rest of the demilitarized zone and accordingly denies that the commission has any jurisdiction over the zone.

The dispute now may move into the UN Security Council if Secretary General Hammarskjold decides to call a council meeting on his own authority. He has expressed a willingness, if necessary, to do so. Prior to such a meeting, however, there probably would be a "re-affirmation" of the UN position on the status of the demilitarized zone, perhaps in the form of a letter from Hammarskjold to Israel and the UAR.

The UAR, however, is fearful of a resumption of the conflict. There is no evidence of Israeli preparations for any large-scale military action, al-

though the latest incident along the border, on 12 February when two Israelis were killed, has again raised the prospects of reprisals. Israeli Chief of Staff Laskov is quoted previously as having threatened new moves if the Syrians "start anything else."

According to an Israeli Foreign Ministry official, Israel has no intention of relaxing the dispute over Israeli shipping via the Suez Canal, despite the unloading of the Inge Toft and its departure from Port Said on 15 February after almost nine months of detention. "From time to time," the official said, other ships with cargoes from Israel will appear at Port Said under conditions of the formula Hammarskjold arranged with the UAR last fall. Such tests assertedly will be made "as a matter of principle" and in order to divert Nasir's attention from Israeli use of Eilat and the Gulf of Aqaba. The Israelis presumably also expect to benefit diplomatically and to embarrass Nasir by keeping the canal issue alive.

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PART II**NOTES AND COMMENTS****KHRUSHCHEV IN INDIA AND BURMA**

The public welcome accorded Khrushchev in India from 11 to 16 February fell far short of that received during his earlier visit in 1955 or that given President Eisenhower last year. Although there was little public enthusiasm and considerable criticism of some of Khrushchev's more caustic statements, the Soviet premier did gain some support from Nehru in the final communiqué for the positions on total disarmament and "peaceful coexistence" which he will champion in coming negotiations with the West.

The Burmese Government and people have accorded Khrushchev the minimum welcome consonant with the dictates of protocol. In contrast, elaborate preparations were made to greet him in Indonesia, where he received a warm, if not spontaneous, reception.

Visit to India

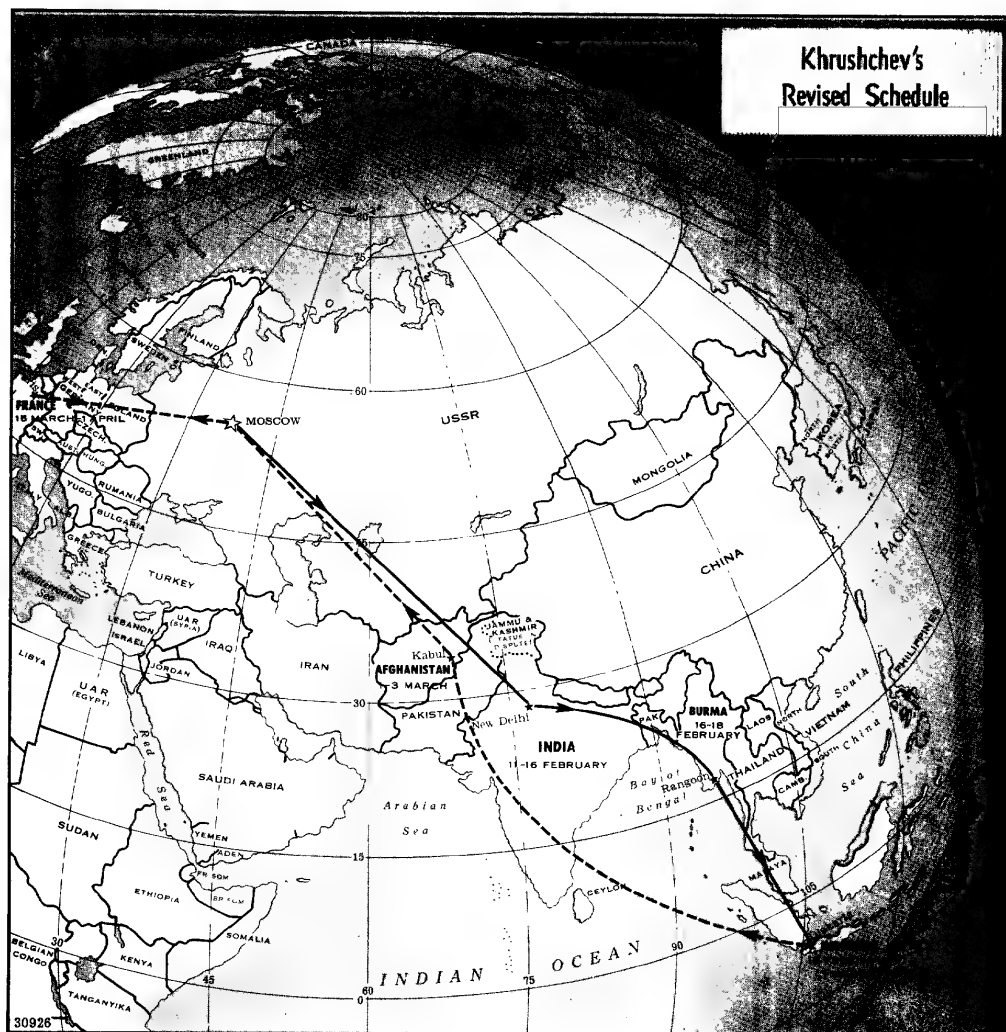
Khrushchev probably hoped he would receive in India the same thunderous acclaim with which he was greeted in 1955 and that his visit would thus offset somewhat the effect of President Eisenhower's trip last year. The crowds which greeted the Soviet premier, however, were relatively small and were unenthusiastic. The interest of the Indian masses may well have become exhausted by the parade of world statesmen to their country and by the recent lengthy visit by Voroshilov and several other Soviet delegations. Khrushchev's glum and dispirited appearance on the first to days of the visit may have reflected his dissatisfaction with the perfunctoriness of the public welcome.

Some Indian officials and the press deplored Khrushchev's use of neutral India as a "cold-war" battleground. Some members of Parliament apparently resented his preaching of Marxist ideology and his emphasis on the merit of a one-party political system. His attacks on the West, including criticism of American aid as a "dole" and his description of the American economic system as a "lame horse," were not well received, and his boasting of Soviet military strength lessened the impact of his mission of peace and his stated willingness to disarm.

Perhaps most discouraging to the Indians was Khrushchev's inability to help solve the border dispute with China. Government leaders must have realized that direct intervention by Khrushchev would be most unwelcome in Peiping, and therefore they probably did not expect much; the Indian press, however, echoing public sentiment, had expressed great hopes for the visit. Khrushchev did not mention China publicly until the very moment of his departure when, at the prodding of newsment, he said he hoped India and China could solve the dispute peaceably.

It was apparent throughout the visit that Chinese actions in Tibet and clashes on the Indian border have left a residue of suspicion in India regarding bloc faith in the principles of peace and coexistence. The good will generated in India by Soviet neutrality on the Tibetan border issue and by Soviet expressions of hope for a peaceful solution apparently was not increased by the visit,

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and, because of Khrushchev's failure to make any specific gestures toward such a solution, may actually have been lessened.

The communiqué issued on 16 February did satisfy some of the political aims of Khrushchev's good-will mission. Nehru noted Khrushchev's personal contributions to a lessening of world tensions, coupling his role with that of President Eisenhower, and expressed appreciation of Soviet

disarmament proposals and military cutbacks. He also supported a cessation of nuclear tests and a prohibition of thermonuclear weapons, and commented favorably on the remarkable advances of Soviet science. Thus India is again on record as approving a number of important Soviet foreign policy positions and propaganda themes.

Rangoon Visit

As in India, there was only a minimal public turnout to greet

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Khrushchev when he arrived in Rangoon on 16 February, in striking contrast to the tumultuous welcome accorded him during his first trip there in 1955. The President, prime minister, and cabinet met him at the airport, extending all the essential courtesies--but no more. Although the largest English-language daily's editorial advice to the Burmese people to "lock up your daughters and bury the silver" was the most unfriendly note struck in the press, none, except the Communist papers, displayed any warmth.

The visit was practically imposed on Burma by Khrushchev's public bid last January for an invitation. He probably hoped to counter the present disenchantment of the Burmese Government and people with the Soviet Union by the force of his personality. The Burmese, however, are still smarting from Soviet Embassy strong-arm tactics in preventing the defection of a military attaché last May, from the exposé of Soviet Embassy clandestine activities reported by defector Kuznachev, and from the flouting of the Burmese courts by TASS correspondent Kovtunencko, defendant in a libel suit. Therefore, while polite to the visitor, they have been cool to his blandishments.

Burma has also been disillusioned with substandard Soviet imports and with Soviet technical aid projects, which have been excessively costly and not suited to Burmese needs. Since Premier Ne Win is in a lame-duck capacity awaiting the installation of U Nu in April, no agreement on bloc economic aid can be expected. With the return of U Nu, however, a better climate for Burmese-Soviet relations may be established. U Nu is more inclined to accept bloc aid than is Ne Win and, unlike Ne Win, prefers loans to grant aid. Khrushchev may be looking during this visit, therefore, to long-term gains and may not be overly unhappy with his poor reception.

Indonesian Preparations

In contrast to India and Burma, Indonesia made elaborate preparations to greet Khrushchev. Sukarno reportedly sent buses to the provinces to bring in crowds and requested local employers to give their workers time off with pay to greet the Soviet leader. Soviet flags and enormous smiling Khrushchev portraits were displayed in the streets a day early. The army is taking special security precautions, and the combined efforts of the government and the large Indonesian Communist party assure an enthusiastic public welcome wherever he goes.

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TENTH ANNIVERSARY OF THE SINO-SOVIET ALLIANCE

Pieping's treatment of the tenth anniversary of the Sino-Soviet treaty of alliance on 14 February reflects the conviction of the Chinese lead-

ers that the treaty's advantages far outweigh any disadvantages. Pieping's radio coverage was five times that of Moscow's. At the same time, the anniversary

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Khrushchev and Mao in Peiping, October 1959.

propaganda shows that the two allies are still in disagreement over the best tactics to be pursued toward the United States.

The Chinese clearly regard continued, long-term Soviet support as essential for China's programs for economic growth. Ambassador Liu Hsiao told a group of high-level Soviet officials at the Chinese Embassy reception in Moscow that the alliance is a "reliable guarantee of the successful building of socialism in China," and politburo veteran Chu Te said that the 292 large-scale construction projects which the USSR has helped and will help China to build form "the core and sinew of China's industrial construction."

Writing in Izvestia on 14 February, the chairman of the Soviet Committee for External Relations stated that about 11,000 Soviet specialists had been sent to China since 1950, and that more than 7,000 Chinese engineers and skilled workers had been given technical training in the USSR.

Soviet First
Deputy Premier Mikoyan pointed to one aspect of Soviet help for which China apparently does not pay--Soviet know-how. Replying to a question concerning the role of the USSR in aiding China manufacture aircraft and develop its industries, Mikoyan told a Cuban audience that the USSR "gave" the Chinese "free" the "latest advances" of science and technology and sent the best scientists and engineers to its ally.

The Chinese, while in effect conceding Soviet superiority in the economic and scientific field, feel that Peiping's role in influencing general bloc policy toward the West should approach Moscow's in importance. Peiping's comments on the anniversary stress that the alliance of China and the USSR has become the "key element" in the present world situation and the "center" of bloc solidarity, whereas most Soviet commentators do not imply so much importance to Peiping's place in the alliance.

People's Daily this year stated on 14 February that both "China and the USSR forcefully

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safeguarded the security of all the socialist countries"; in last year's anniversary statement People's Daily credited the USSR with a somewhat more important role in this task.

These implicit assertions of China's growing importance in the alliance suggest that Peiping intends to offer advice on more than intrabloc relations--as it did in 1956 regarding Poland. The Chinese leaders in the past year or so seem to have become bolder in giving Moscow unwanted advice on how to handle relations with the West, or at least in dissenting from Soviet policies. People's Daily, in this year's anniversary editorial, did not mention "complete agreement" between the two allies on international problems, whereas last year's editorial did.

Ambassador Liu Hsiao in Moscow attempted to gloss over foreign policy differences with the statement that the Chinese people "resolutely endorsed and supported all efforts of the Soviet people for bringing about a detente," but he went

on to criticize the "peace game of the United States."

Soviet Ambassador Chervonenko mentioned the communes--an "organizational form of agriculture"--as one factor which has contributed to the success of Chinese economic efforts. Although qualified, this is the first favorable reference to China's communes ever made by a Soviet official at a public gathering.

The Chinese do not disagree with the USSR on principles, but only on tactics. That is, the Chinese leaders agree with Moscow that the future should and will belong to "socialism" and that the bloc states must seek jointly to expand their influence. They disagree with Moscow's policy of "peaceful contacts," preferring a vigorous attack on the United States as the "archenemy" of the bloc. People's Daily on 14 February cited the militantly anti-US Moscow Declaration of 1957, which Mao helped to draft, as the "guide" to the international Communist movement; Moscow, however, has been silent on the current importance of this document.

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CARIBBEAN TROUBLE CENTERSPanama

Panama's desire to fly its flag in the Canal Zone and its resentment of US congressional rejection of this aspiration may bring about new anti-US demonstrations, possibly more violent than the outbursts of last November. University students, civic groups, and labor organizations are planning to stage a new sovereignty march

into the zone to express their resentment.

Although the plans and timing for demonstrations have not been announced, 1 March appears a likely date. All shops and offices will be closed to celebrate National Constitution Day, and this will be the peak day of the annual pre-Lenten carnival celebrations. However, student groups, idle

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since examinations ended on 15 February, or other ardent nationalists may launch demonstrations at any time. The flag issue and other Panamanian complaints about US canal policies are receiving heavy attention during the present heated political campaign.

Panamanian and American officials have indicated growing concern over the magnitude

Cuba

The rapidity with which the Castro regime is moving toward close ties with the Soviet bloc and intensifying its controls over business, finance, labor, and news media is creating a sense of desperation among middle- and upper-class Cubans. Some of them indicate that they may turn to armed opposition. They lack effective organization



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and intensity of the anti-US feeling. They believe new demonstrations would probably receive much broader public support than the November incidents. Panamanian Government spokesmen, while promising to do everything possible to discourage new demonstrations, have warned that the National Guard would intervene only if Panamanian property were endangered. Administration leaders fear that repressive action might transform an anti-US outburst into an all-out attack on the government.

and leadership, however, and have no means of influencing the masses, most of whom still favor Castro.

On the other hand, some progovernment elements, while declaring their continued support for Castro, have boldly proclaimed their opposition to Communism and to Soviet influence in Cuba. The anti-Communist students who rioted after Mikoyan had placed a wreath at a Cuban hero's statue on 5 February also proclaimed their loyalty to Castro. The influential

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Cuban weekly Bohemia, a fervent Castro backer, carried a hard-hitting article on 14 February attacking the Soviet exposition in Havana for presenting a one-sided picture of life in the Soviet Union.

Dominican Republic

The 30-year-old dictatorship of Generalissimo Rafael Trujillo appears to have about an even chance of surviving this year. The regime's end, when it comes, will probably be sudden and violent, although there is some chance that military elements with middle-class civilian backing might be able to preserve order. The return of exile groups, many of which are Communist influenced, would pose a threat to the stability

of any post-Trujillo government. In any event, US influence in the Dominican Republic is likely to decline after the fall of Trujillo, since many dissidents resent past US support of him.

The Generalissimo, who resents the anti-Trujillo statements of Puerto Rican officials and the US embargo of arms for his forces, recently attacked the Puerto Rican policies of the United States. On 11 February, the rubber-stamp Dominican Senate passed a resolution condemning the US "violation of human rights" in the detention of Puerto Rican nationalist Albizu Campos and referring to Puerto Rico as "one of the last vestiges of colonialism in America." [REDACTED]

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KHRUSHCHEV REVAMPS SOVIET PARTY UNIT

Recent information indicates that the important Bureau for the RSFSR, a key unit in Soviet party administration headed by Khrushchev since 1956, has been quietly revamped during the past year. Apparently only five of the twelve members appointed in 1956 remain. The reorganization is part of a series of personnel shifts which Khrushchev has carried out in party and government bodies over the past four years.

The RSFSR Bureau acts as a junior presidium and secretariat for party activities in the Russian Republic--largest and most important of the major subdivisions of the Soviet Union. Unlike the other republics, the RSFSR does not have its own central committee

but is administered directly by the central party organization.

The bureau was created in February 1956 at Khrushchev's

STAFF DEPARTMENTS
BUREAU FOR THE RSFSR
CENTRAL COMMITTEE, CPSU
(1 FEBRUARY 1960)

DEPARTMENT	HEAD
Party Organs	M. T. Yefremov
Propaganda & Agitation	V. P. Moskovsky
Agriculture	G. I. Vorobyev
Industry & Transport	S. A. Baskakov
Science, Schools, & Culture	N. D. Kazmin
Administrative, Trade, & Finance Organs	?
Soviet Russia	I. S. Pustovalov

Full Member, Central Committee, CPSU
Member, Central Auditing Commission, CPSU

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CENTRAL COMMITTEE, CPSU**

FEBRUARY 1956	BASIC POSITION	FEBRUARY 1960
CHAIRMAN <u>N.S. Khrushchev</u>	1st Secretary, CC, CPSU Also Premier, USSR (since March 1958)	<u>N.S. Khrushchev</u>
DEPUTY CHAIRMAN N.I. Belyayev	Secretary, CC, CPSU	<u>A.B. Aristov</u>
MEMBERS N.G. Ignatov	1st Secretary, Gorky Oblast	L.N. Yefremov
I.V. Kapitonov	1st Secretary, Moscow Oblast	P.N. Demichev
A.P. Kirilenko	1st Secretary, Sverdlovsk Oblast	<u>A.P. Kirilenko</u>
F.R. Kozlov	1st Secretary, Leningrad Oblast	I.V. Spiridonov
M.A. Yasnov	RSFSR Premier	<u>D.S. Polyansky*</u>
A.M. Puzanov	RSFSR 1st Deputy Premier	M.A. Yasnov
V.M. Churayev	Head, Department of Party Organs for the RSFSR	M.T. Yefremov
V.P. Mylarshchikov	Head, Department of Agriculture for the RSFSR	G.I. Vorobyev*
A.B. Aristov (added March 1956)	Secretary, CC, CPSU	?
P.N. Pospelov (added March 1956)	Secretary, CC, CPSU	<u>P.N. Pospelov</u>

Full Member, Central Committee, CPSU

Candidate Member, Central Committee, CPSU

Member, Central Auditing Commission, CPSU

— Full Member, Presidium, Central Committee, CPSU

— Candidate Member, Presidium, Central Committee, CPSU

*Not definitely identified as members but thought to be by virtue of their other positions.

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behest to "provide more concrete and effective leadership" for the republic. Membership on the bureau is not a full-time job but is held simultaneously with other assignments. It was originally composed of leading party and government officials of the republic as well as those central party secretaries who concentrated on Russian affairs. This organizational scheme has been retained.

The new members have been drawn from the same full-time jobs as their predecessors on

the bureau. For example, Leonid Yefremov, party chief in the Russian Province of Gorky, now is a member of the RSFSR Bureau, as was Nikolay Ignatov when he held the Gorky post.

Appointments to the bureau are apparently made by Khrushchev personally and are not publicized. Officially, the bureau is a unit of the party central committee and presumably should be composed of its members. However, bureau members Petr Demichev and Ivan Spiridonov, party chiefs in Moscow and Leningrad, rose to

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prominence after February 1956, when the central committee was picked. Although they are in line for election to the central committee at the next party congress in 1961, their appointment to the bureau before being formally elected to the central committee reflects their high standing in Khrushchev's esteem.

The structure of the working staff of the bureau, organized in six departments and an editorial board of the republic newspaper Soviet Russia, has remained the same as originally set up in 1956. Within the past year, however, the

heads of the Departments of Party Organs, Agriculture, and Administrative, Trade, and Finance Organs have been changed.

Khrushchev's manifold activities probably restrain him from actual day-to-day supervision of the bureau, with the result that the deputy chairman, presidium member Averky Aristov, has become, in fact, the party chief of the RSFSR. From this vantage point, Aristov may be able to develop sufficient following among the professional party functionaries to make him a strong contender eventually to succeed Khrushchev.

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YUGOSLAVIA'S RELATIONS WITH THE BLOC

Despite indications that Khrushchev has recently sought increased Yugoslav support for his foreign policies, particularly concerning East Germany, neither he nor Tito seems willing to make the concessions necessary for a real improvement in relations or even for significantly expanded cooperation in the foreign policy sphere.

The Yugoslav regime believes the cold war is ending and will be replaced by a period of intense economic competition between East and West in which, Belgrade fears, its political importance would be reduced and its economic growth retarded. In an attempt to adjust to this new situation, the regime is trying to improve its relations with members of both Eastern and Western economic groupings, without, however, sacrificing any of its basic policies.

It was apparently for this purpose that Yugoslav Vice President Vukmanovic-Tempo visited Moscow from 6 to 26 January. His trip, however, apparently resulted largely in an exchange of opinions and an exploration of Soviet intentions. Khrushchev probably sought more active Yugoslav support for his policies in the Balkans, the underdeveloped countries, and an East German peace treaty. Yugoslavia has generally supported Soviet foreign policies, and on 6 February it became the first nonbloc state to sign an air transport agreement with East Germany. Belgrade is also the only nonbloc state which has diplomatic relations with East Germany.

There seems to be opposition in some quarters in the Sino-Soviet bloc as well as in Belgrade to closer relations. The

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USSR, East Germany, and particularly Albania have continued to belabor Yugoslavia since Tempo's trip, although polemics are in a lower key than before Khrushchev's trip to Albania last spring--a trip which marked the beginning of a gradual and limited improvement in Yugoslavia's state relations with the bloc.

Moscow has rejected a Yugoslav request, made during cultural negotiations in late January, for permission to open an information office in Moscow, and Peiping showed its antipathy toward the Yugoslav "renegades" at the recently concluded Warsaw Pact meeting in Moscow. Belgrade, for its part, has continued to needle the bloc, particularly on satellite economic failures last year.

Because the bloc, in its campaign for a missile-free zone in the Balkans, has been

willing to settle for less than a Balkan heads-of-state meeting, greater low-level cooperation between Yugoslavia and the Balkan bloc appears possible. For example, a large Yugoslav delegation attended a youth conference in Bucharest from 30 January to 4 February--also attended by predominantly left-wing groups from Italy, Greece, and Cyprus. At this session the Yugoslavs signed an appeal for a missile-free Balkan zone but prevented the appeal from being directly addressed to the delegations' governments. While old differences led to hostile exchanges between the Yugoslavs and the Albanians, Bulgarians, and Rumanians, the Yugoslav delegation also approved a recommendation for extensive future cooperation among Balkan youth groups--particularly in the fields of culture, tourism, and sport.

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BLOC STRESSING CLOSE TIES WITH GUINEA

The USSR, underscoring its desire to strengthen its political and economic ties with Guinea, recently announced that Khrushchev will visit there later this year. Another visit to the Soviet Union by Guinea's President Touré--who went to Moscow and Prague last November--is also apparently contemplated. Meanwhile, Moscow has announced it will establish a vocational school accommodating 2,500 students in Conakry under the

\$35,000,000 economic and technical cooperation agreement concluded last summer.

Prominent among other bloc countries endeavoring to enhance their position in Guinea is Czechoslovakia, which announced earlier this month that it would send 60 medical workers to Guinea this year. Prague is also planning to start weekly air service to Guinea, using impressive IL-18 turboprop passenger planes.

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In addition to transient bloc personnel, it is estimated there are 40 to 50 bloc technicians in Guinea on a long-term basis, including 30 Czechs and 9 Hungarians. Czech nationals reportedly were managing the Conakry airport, training police personnel, frontier guards, and customs employees, occupying professional positions in the Ministry of Health, and participating in Guinea's information service. Budapest provided personnel to maintain Conakry's new Hungarian-equipped transport system and to teach physical education.

The bloc countries, in addition, are stressing trade with Guinea. The Soviet Union recently reported the opening of a sea route between Black Sea ports and Conakry. The USSR and the five European satellite countries which have trade agreements with Guinea have al-

ready succeeded in diverting a large portion of Guinea's foreign trade from its traditional Western trading partners.

Before the bloc trade pacts went into effect, only about 3 percent of Conakry's foreign trade was with the bloc. In 1959, however, this figure rose to almost 50 percent. Essentially, the bloc is exchanging manufactured goods for agricultural products--the primary source of Conakry's foreign exchange earnings.

The Soviet economic aid credit is designed to assist Guinea in constructing industrial enterprises, developing agriculture, and expanding its road network with Soviet equipment and technical advice. Guinea apparently will pay its debt in agricultural products, thus raising still further its trade with the bloc.

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GROWTH OF MEDIUM AND SMALL INDUSTRY IN COMMUNIST CHINA

Communist China's medium and small industrial plants, after inauspicious beginnings, are developing into an important component of the industrial establishment. The medium- and small-scale enterprises Peiping promoted in 1959 were different from the native, backyard type of operation so heavily publicized the previous year, when the program of setting up numerous small plants to augment the output of large producers and make fuller use of widely scattered resources emerged. These backyard operations have been largely junked, and increased emphasis has been put on comparatively modern facilities of medium size.

In 1959, Peiping devoted 37 percent of total state spend-

ing in industrial capital construction to this type of plant. There were in this category at the end of the year 1,000 iron



A plant of the type Peiping was promoting in 1959.

and steel centers, 17,000 coal mines, 15,000 machine plants, power stations with a total capacity of 500,000 kilowatts, more than 400 plants producing petroleum from coal, over 100 cement plants, and "many thousands" of chemical, coke, coal-

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dressing, and light industrial plants. Peiping reports that these medium and small installations contributed 56 percent of the pig iron, 40 percent of the coal, 35 percent of the steel, and 14 percent of the cement produced nationally in 1959. This performance is viewed as a vindication of the regime's faith in the program.

scheduled for the nonferrous metals, chemical, petroleum, and electric power industries, where only the first steps have been taken.

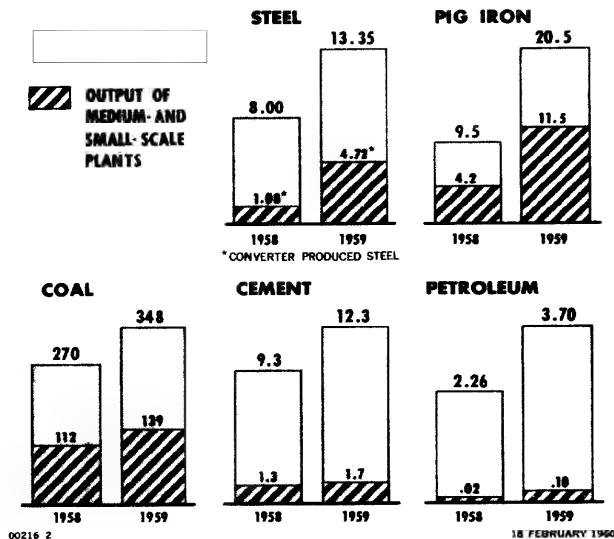
In the longer run, Peiping evidently hopes to create a reasonably well-functioning system in which the simpler plants will be modernized and made into

larger integrated works. It is doubtful whether smaller producers are expected to account for more than one third to one half of the national output in particular products for the next several years. The 11,500,000 tons of pig iron from small furnaces in 1959 is already at the level called for from these units during the Second Five-Year Plan period (1958-62).

Peiping's claims concerning the advantages of its small-scale schemes are almost certainly overstated, especially because returns are not complete. Small-scale

plants do have real advantages in the still-backward countryside, in that they are comparatively easy to build, bring quick returns, lessen demand on the transportation system, and constitute a training ground for technicians and administrators. On the other hand, these advantages may be offset by higher operating costs, greater requirements of skilled labor, and lower quality of output.

For the present, however, Peiping is committed to the medium- and small-plant concept, and these plants can be expected to continue to play an important role in Chinese industry during its present stage of development.

COMMUNIST CHINA: INDUSTRIAL PRODUCTION
 (MILLION METRIC TONS)


While China had some success last year in improving labor productivity, utilization of raw materials, and product quality in these plants, the performance by no means matched that of large producers. The smaller variety of blast furnaces, for example, proved only about half as efficient as the larger ones, and at least 20 percent of the pig iron from the small furnaces was not up to industrial standards.

Little new small-scale construction is scheduled for the iron and steel industry in 1960; plans call instead for raising technological levels and further improving efficiency and product quality. Small-scale construction, however, is

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SINO-INDIAN BORDER DISPUTE

Diplomatic maneuvering between India and Communist China on the border question has been resumed as a result of Prime Minister Nehru's invitation to Chou En-lai to meet with him informally in New Delhi during the second half of March. Nehru's suggestion, made in a personal letter of 5 February accompanying the latest Indian note, is a significant shift from his previous insistence that such talks would be useful only after preliminary efforts to narrow the gulf between the Indian and Chinese positions.

Nehru has felt that his government was under increasing pressure, as a result of the Sino-Burmese border agreement and Soviet influence, to respond favorably to Peiping's overtures for high-level talks. While conceding in his letter to Chou that a meeting "might be helpful," Nehru nevertheless re-emphasized that formal negotiations on a border settlement are "not possible" unless Peiping abandons its position that the entire Sino-Indian boundary is undelimited.

This caveat probably was intended not only to preserve India's bargaining position but to emphasize that any progress toward substantive negotiations would be up to the Chinese. Nehru probably also hoped that such a stand would give the Indian Parliament and press less grounds for criticizing his shift in position.

Opposition leaders, as well as all major newspapers in New Delhi, lost no time in attacking Nehru's agreement to meet with Chou without preconditions as a humiliating "climbdown" and "reversal" of Indian policy. Nehru countered initial criticism

by denying any change in his position and by maintaining that India's policy always has been to "meet anybody and everybody."

Despite Nehru's flat rejection of Peiping's claims as a basis for negotiations, a meeting of prime ministers would in effect constitute negotiations. Such discussions would also provide an opportunity to explore informally some compromise formula. There have been indications that New Delhi might eventually consider ceding some territory now occupied by the Chinese in the Ladakh area of Kashmir in return for a guarantee of the McMahon line in Assam, although the government may find it expedient to maintain its present claims against Peiping and live indefinitely with the situation as it now stands.

The Chinese began putting out feelers for a high-level meeting as early as mid-September, probably convinced that Nehru's uncompromising position in public was conditioned by the angry Indian reaction to border incidents and that he might be more tractable in private. Peiping probably also felt such a meeting would demonstrate its much touted "willingness to negotiate." In his letter of 17 December to Nehru, Chou crystallized the invitation, suggesting the Indian leader meet with him either in Peiping or Rangoon.

Nevertheless, despite its views on the value of a top-level meeting, Peiping has refused to compromise its own ultimate bargaining position or its prestige by withdrawing from Indian-claimed territory--

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the price Nehru originally set for talks. Nehru's dropping of this condition now will be considered by the Chinese as a concession on his part. Chou probably will agree to talks this

spring, believing the Indians can be maneuvered into some compromise at the conference table, and may again suggest a meeting in some third country.

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RELATIONS BETWEEN BHUTAN AND INDIA

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Recent events along the Tibetan-Indian frontier, particularly the skirmishes last fall, have focused New Delhi's attention anew on Bhutan. The Indian Army reportedly has been directed to plan for the defense of Bhutan against possible incursions from the north. New Delhi is trying to preserve Indian influence in Bhutan itself as well as protect the position of its own force of 40,000 to 50,000 men deployed in Assam and the North-East Frontier Agency.

Traditionally oriented toward Tibet, both culturally and economically, the Bhutanese ruling family and large elements of the population have always been suspicious of India. Relations between the two countries are governed by a 1949 treaty wherein India took over "guidance" of the kingdom's "external relations," but left internal affairs to the Bhutanese. New Delhi's interpretation of "external relations" includes defense.

The countries' formal relations are conducted through two channels. One of these is an Indian political officer who resides in Sikkim but travels regularly to Bhutan. The other is Jigme Dorji, a member of the ruling family who, although often referred to as prime minister, functions as ambassador at large and resides mainly in Indian territory.

New Delhi allows the Bhutanese, estimated to number about 700,000, relatively free access to India,

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but the number of Indians permitted to stay in Bhutan is severely restricted by the Bhutanese. This policy is facilitated by Bhutan's rough terrain and primitive communications.

Under the terms of its 1949 treaty, India provides Bhutan with an annual subsidy of about \$105,000. In addition, over the past four years, India has provided a loan of \$46,000 and more than \$270,000 in economic assistance--primarily for steel, cement, and various types of equipment. Starting in 1960, Indian economic aid to Bhutan, over and above the yearly \$105,000 subsidy, will be stepped up to an annual sum of \$147,000--nearly double the sums expended in 1958 and 1959. New Delhi has allotted up to \$31,500,000 for road construction into Bhutan

from West Bengal and Assam during the next six years.

Furthermore, an agreement has been signed whereby India will construct a large hydroelectric plant, the principal beneficiary of which will be West Bengal, but which will utilize portions of Bhutan's territory. This plant will cost about \$10,600,000.

[redacted] the number of Indians in Bhutan at 26, most of whom are working on the road construction program. There is also a small number of Indians manning the 20 meteorological and flood-control stations which the Indian Government, with Bhutan's permission, maintains in Bhutan. These posts probably provide India with information of a nonscientific nature as well. [redacted]

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TUNISIA

Tunisian President Habib Bourguiba, probably as a preliminary to a new move to secure the withdrawal of French forces from Bizerte, has recalled his ambassadors assigned to NATO capitals for consultation. Discussions with his ambassadors may indicate that Bourguiba hopes to enlist NATO assistance in persuading France to meet Tunisia's minimum demand--a phased withdrawal of France's 7,000 army, navy, and air force personnel from Bizerte. Not desiring to add to the problems of President de Gaulle, now preoccupied with Algeria, Bourguiba postponed his popular "battle for Bizerte" which was to have begun on 8 February. He nevertheless was emphatic in declaring that Tunisia's goal is the eventual evacuation of the French base.

In his radio address regarding Bizerte on 8 February, Bourguiba cited France's formal, but negative, reply of several days earlier as proof that Paris had entered into negotiations on the subject. He also declared that conversations were beginning on 8 February to permit clarification of the French reply. French Ambassador Boegner informed the American Embassy that his call on the Tunisian Secretaries of foreign affairs and defense, coincident with Bourguiba's broadcast, developed nothing new but "was staged for psychological support of the President's statement."

Boegner claims that Paris offered Bourguiba a mutual defense agreement providing for joint occupation of Bizerte, which France would recognize as a Tunisian base. This

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solution is unacceptable to Bourguiba as long as the Algerian rebellion remains unsettled. Boegner apparently believes that Tunisian officials have been impressed by De Gaulle's success and good faith throughout the crisis provoked by European insurgents in Algeria and are unwilling to increase pressure on the Bizerte issue.

Bourguiba's statement of 8 February probably will satisfy the Tunisian people for the present and commits his government to explore all facets of negotiation to find an amicable settlement of the issue. Nevertheless, Bourguiba will attempt to align support for his point of view should he decide to attempt to place the question before the UN Security Council.

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POLITICAL TRENDS IN AUSTRIA

The highlight of the congress of the Austrian People's party on 11 and 12 February was Chancellor Raab's resignation as party chairman, and this may mark the beginning of a decline in Austria's successful postwar experiment in coalition government. Even before he became chancellor in 1953, Raab was his party's most power-

party - Socialist coalition a going concern for fourteen years.

Although ill, 68-year-old Raab is stepping down in response to pressure for a major "rejuvenation" of the party. The party has been weakened since the presidential elections of 1957, and losses in last May's voting nearly cost Raab his parliamentary plurality. The Socialists' success since then in consolidating their influence in government and industry has led to persistent demands from within the People's party for new leaders, a cleanup of party corruption, and a new program of "popular appeal."



RAAB

ful personality, and his complete retirement--expected now in a year or so--would remove from the scene another of the political leaders who have made Austria's unique People's

Predominantly a Catholic party in which the diverging interests of its industrialist, farmer, and worker "leagues" dictate a need for compromise, the People's party continues nevertheless to drift to the right. The new party chairman, Alfons Gorbach, is from the workers' league, but he is a party hack on good terms with both the "reformers" and the "old guard."

The real direction of party affairs will probably be in the

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hands of the new secretary general, Herman Withalm--a young and energetic associate of Finance Minister Reinhard Kamitz. Kamitz declared in a recent speech that the present coalition "benefits only the Socialists" and should be extended to include the extreme rightist Liberal party or be replaced by a one-party--i.e., People's party--government.

Austrians, however, have not forgotten the violent conflict between the Catholic right and the Socialist left which occurred between World Wars I

and II. Catholic-Socialist cooperation has minimized that conflict--at the cost of subordinating parliament to the coalition committee. While some conservatives apparently believe that "democracy" and the future of the People's party depend on a coalition "divorce," the electorate has shown itself skeptical of such experiments. In both the 1957 and 1959 elections, the Socialists were successful with the charge that the People's party not only wanted to win, but also aspired to govern alone.

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BRITISH TRADE UNION TROUBLES

The Macmillan government's capitulation on 12 February in granting an interim 5-percent wage boost to workers of the nationalized railways in order to avert a nationwide strike will encourage further trade union pressures and increase the likelihood of serious labor trouble this year. Widespread wage concessions could endanger Britain's controlled economic expansion program and in the long run would hurt the Conservative government's standing.

Following an 18-month period when virtually no major wage claims were granted and prices remained stable, industrial workers now are demanding both pay raises and a shorter workweek. As justification for their demands, they point to the 6-percent rise in indus-

trial production and the increased profits earned.

Trade union leaders have sought to divert agitation for wage increases into a coordinated drive for a shorter workweek as a more likely issue to attract public support. Union members, however, have become increasingly resentful of this approach. The clash of interests has already led the union rank and file to stage a one-day "unofficial" rail strike and threatens more stoppages of the type that tend to discredit both the unions and the Labor party.

The railway award is an initial defeat within the government for Chancellor of the Exchequer Amory, who is said to be almost totally preoccupied with the danger of inflation

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resulting from new wage demands. His determined but so far unsuccessful attempt to persuade manufacturers to reduce prices and the late January boost in the bank rate from 4 to 5 percent indicate his concern to avoid a repetition of the 1957-58 inflation which brought a run on sterling.

In the railway award, his views were overridden by other Conservative leaders anxious to avoid labeling the government with an anti-union bias. Presumably these included Home Secretary Butler, who presided

over the cabinet during Prime Minister Macmillan's tour of Africa, and Minister of Labor Heath. Heath has so far quashed the demand made last month by several Conservative members of Parliament that the government honor its campaign pledge to set up a royal commission to investigate trade union practices. Other Labor tests--including further railroad workers' demands --may be handled more firmly by Macmillan, who in the past has shown a willingness to risk short-term unpopularity to enhance his party's long-range standing.

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PART III**PATTERNS AND PERSPECTIVES****THE USSR AND THE CUBAN REVOLUTION**

In the nearly 14 months since Castro's seizure of power in Cuba, Moscow's attitude has changed from cautious approval of the new government to optimism regarding the opportunities the situation presents for the advancement of Soviet interests in Latin America.

Prior to First Deputy Premier Mikoyan's visit, the USSR had refrained from any blatant moves to exploit Castro's anti-American posture and had instead relied primarily on the strength of the local Communists to influence the regime toward support for the Soviet bloc's foreign policy objectives. The acceptance by Mikoyan of the Cuban Government's invitation to open the Soviet scientific, technological, and cultural exhibit in Havana and the large Soviet trade and credit offer clearly indicate a Soviet decision to take greater advantage of the Cuban situation by identifying the USSR with Castro's foreign policy aims.

of Guatemala and the "heroic struggle" of the people of Cuba against Batista.

Soviet propaganda media quickly reported the downfall of Batista as an event of "momentous significance" and gave a general evaluation that placed the Cuban revolution "on a par with other recent events of a similar magnitude in Latin America." A further indication of

**CASTRO AND MIKOYAN****Political Relations**

Moscow's initial caution in commenting on the victory of Castro's 26 of July Movement seems to reflect surprise at the sudden collapse of the Batista regime and uncertainty regarding Castro's intentions. In an interview with a Latin American journalist in October 1958, Khrushchev appeared to discount Castro's chances of success by referring simultaneously to the "tragic fate"

Moscow's failure to anticipate the course of the revolution was the failure of the Cuban Popular Socialist (Communist) party to identify itself with the Castro movement before the final moments of the revolt in the closing months of 1958.

Soviet officials' warnings to Latin American Communist leaders attending the Soviet 21st party congress in early 1959 that the Cuban leadership "may go to the right just like Nasir"

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show their uncertainty as to the new regime's future course. It was not until April, when the character of the revolutionary movement and its tolerant attitude toward the local Communists became clearer, that Moscow adopted a more enthusiastic tone toward the Cuban revolution, although it still refrained from general endorsement of Castro personally.

In August 1959, however, Castro's removal of puppet President Urrutia--after the latter's unexpected speech warning of the Communist influence--was declared by both Moscow and Peiping to be a reaffirmation that Castro represented the "true aspirations" of the Cuban people. In November, Izvestia appeared to put an ideological stamp of approval on the Castro regime by describing the revolution as a national liberation movement in which the "overwhelming majority of the Cuban people participated and in which the working class and laboring peasantry took the most active role."

Despite these signs of approval, Moscow in 1959 apparently made no overtures to normalize diplomatic relations with Cuba--broken off in 1952.

The Cuban acceptance of Mikoyan's broad offer while in Mexico in November to send the Soviet exposition to any Latin American country was probably interpreted in Moscow as the

occasion for undertaking a more active policy toward Cuba. The decision to send Mikoyan to inaugurate the exposition opened a new phase in Moscow's policy, and his visit reflects the USSR's more active efforts to increase its influence in the area. His primary objective appears to have been to demonstrate in a dramatic fashion the availability of Soviet economic and political support as an alternative to dependence on the United States.

The communiqué issued at the conclusion of Mikoyan's visit suggests that extensive political discussions were held with Cuban leaders. Diplomatic relations will probably be resumed within a short time, and Moscow can be expected to exploit this as a breakthrough in Latin America, pointing to it as an example of the international relaxation of tensions.

In his speech at the opening of the Soviet exhibition on 6 February, Mikoyan was unreserved in his praise of the Cuban revolution. He pointed to "the confiscation--without any compensation--of all means of production and land" as part of the "secret" of Soviet progress and asserted that, as in the case of the Soviet revolution, the Cuban revolution cannot be exported, "but the force of example cannot be overcome." Khrushchev in his address to the Indian Parliament on 11 February went out of his way to express Soviet sympathy for Cuba in its struggle "to safeguard its national and economic independence."

Economic Relations

In the economic field, the agreements announced in the 12 February Soviet-Cuban communiqué also reflect the USSR's reappraisal of its attitude toward the Castro government. As these agreements, which deal with major Cuban

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exports and imports, are fulfilled, the USSR will be able to achieve considerable economic influence in Cuba. The Soviet purchase of nearly 5,000,000 tons of Cuban sugar in the next five years, if carried out, will absorb up to 20 percent of Cuba's sugar exports in that period. Previous Soviet purchases, ranging from 200,000 to 450,000 tons annually, have accounted for only 3 to 8 percent of such exports in any one year.

The USSR has been obtaining about 50 percent of its total sugar imports from Cuba and has paid cash for these purchases. The barter provisions of the new agreement--only 200,000 tons is to be paid for in cash each year--will require Cuba to make substantial purchases in the USSR. Cuban imports from the USSR heretofore have been negligible.

During recent months, the USSR laid the groundwork for its new economic ties by sugar purchases carefully timed to reap considerable propaganda gains by bolstering the sagging Cuban sugar market and at the same time to benefit from low prices on top of which Cuba granted discounts. Purchases under the new agreement are to be made at prevailing world market prices.

The \$100,000,000 economic aid credit, repayable in 12 years at 2.5-percent interest, is similar to that rejected by

Mexico during Mikoyan's visit there in November. It is the usual Soviet offer when no specific development program has yet been prepared. The long-range effect of such a credit would be further to support the growth of Cuba's trade with the bloc. The credit is to be used during the next five years to obtain Soviet agricultural and industrial equipment in addition to that received in barter for sugar. The USSR is also to supply necessary technical assistance.

In view of the Castro government's failure to obtain mil-

SUGAR PURCHASES FROM CUBA
MILLION DOLLARS

	1955	1956	1957	1958	1959(EST)
USSR	36.4	14.2	42.0	14.1	15.0
OTHER BLOC	1.0	3.0	0.6	3.6	NONE
UNITED STATES	293.2	317.3	332.8	382.4	348.8

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itary aircraft from Western sources and its expressed interest in obtaining them from the bloc, Cuban officials almost certainly pressed Mikoyan for such equipment. When asked at a reception on 12 February whether the USSR would sell planes to Cuba, Mikoyan replied it would if they were requested.

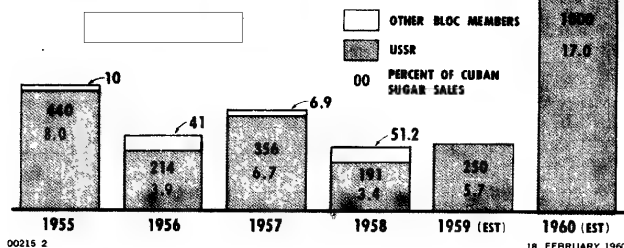
While the USSR has taken the lead in promoting economic relations with Cuba, both Poland and Communist China have recently purchased 50,000 tons of Cuban sugar. Czechoslovakia and East Germany also have shown interest in increasing their trade with Cuba.

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USSR AND BLOC IMPORTS OF CUBAN SUGAR

(THOUSAND TONS)



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and an East German trade delegation is in Havana to negotiate a barter agreement.

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Chinese Communist activities in Cuba have been primarily on the ideological and propaganda fronts. Like all of the bloc, Peiping lacks diplomatic relations with Cuba, but especially since early 1959 it has encouraged Cuban and other Latin American Communists to turn to it for ideological guidance, stressing the applicability of Chinese revolutionary experience to the area. Its attempts to foster travel to Communist China and training for Cuban Communists there have met with some success. Along with stepping up the volume of their propaganda broadcasts to the area, the Chinese have opened an office of the official New China News Agency in Havana.

Moscow and the Cuban Communists

The highly organized Cuban Popular Socialist (Communist) party (PSP)--17,000 members--has enjoyed considerable success in following the directives laid down by bloc leaders during the 21st party congress in Moscow in early 1959. At meetings between Latin American Communists and Soviet officials, new political strategy was outlined which placed greater stress on the need for increased coordination among Latin American parties and for more flexible adjustment of tactics to local conditions.

Particular emphasis was again given to the creation of national fronts which could be exploited to mobilize public opinion against the United States and in support of bloc foreign policies, while at the same time acquiring a respectable facade for infiltrating non-Communist organizations and institutions.

The PSP has openly identified itself with the principal goals of Castro's program. Party members pose as strong supporters of the revolution. Taking advantage of the government's benevolent attitude

toward the party, the Cuban Communists have succeeded in obtaining considerable influence in the government--particularly in the military and economic sectors--and in the labor movement.

They have, however, exercised great caution by refraining from openly pushing Communist ideology and holding their membership recruitment drive to a low key. This is probably considered advisable because of the party's former close identification with the Batista regime, under which it acquired strength by refraining from active opposition to the government in return for guarantees of a favored position, especially in the labor unions. The PSP is clearly anxious to avoid giving the Castro government cause to take any action restricting the party's freedom.

Future Prospects

Soviet leaders probably realize that international Communism has little attraction for most Cubans and believe that the Castro government wishes to be independent of Moscow as well as of Washington. Nevertheless, they evidently now view Cuban developments as ripe for exploitation in the advancement of Soviet interests throughout Latin America.

The USSR intends to take advantage of Cuba's economic weaknesses: its dependence on the sale of sugar, its lack of investment capital at a time when the demand for funds is especially high, and its low foreign exchange balance.

The Cuban Government's increasingly leftist orientation, and its apparent eagerness to flaunt its independence of the United States by attempting to increase its contacts with the bloc are probably considered the principal

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political factors susceptible to Soviet exploitation.

The Soviet Union will seek to encourage Cuban support for its foreign policy objectives. The 12 February communiqué stated that it was "the clearly recorded interest of both governments to collaborate actively in the United Nations in favor of coexistence...." Cuban representatives in the United Nations last year abstained on the moratorium on Chinese UN representation and have already been reported planning to support Peiping this year.

The extent of Moscow's efforts in the immediate future on the political and economic fronts, including military aid, will depend, on the one hand, on the increased opportunities it sees in the Cuban situation to enhance its drive to decrease US influence and raise Soviet prestige throughout Latin America and, on the other, by the need it feels to refrain from actions which would alienate other Latin American governments or unnecessarily antagonize the United States in this period of "peaceful coexistence" diplomacy.

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COMMUNIST CHINA'S ETHNIC MINORITIES

The application since 1958 of "leap forward" economic programs--especially the communes--to the 35,000,000 people who make up Communist China's ethnic minorities is Peiping's most destructive attack on the individuality of these non-Chinese groups. In many border areas, the minorities have reacted with alarm. While the Chinese have in some cases slowed down their program in deference to minority sensibilities, they show every intention of pushing through the consolidation of non-Chinese areas as rapidly as possible.

Effects on Minorities

The "leap forward" programs have greatly undercut the traditional way of life of the ethnic Chinese as well as the minorities. This destruction has been more deeply felt, however, among the minorities whose traditions differ greatly from Chinese culture, on which the Communist pattern has at least in part been based. The minorities occupy 50 to 60

percent of China's land area, but make up only 6 percent of the population. Most of the minorities have been helpless to resist.

The commune program has sought to resettle nomadic

MAJOR ETHNIC MINORITIES IN COMMUNIST CHINA

MINORITY	APPROXIMATE NUMBER
Chuang	7,000,000
Uighur	3,640,000
Hui	3,559,000
I (Yi)	3,250,000
Tibetan	2,775,000
Miao	2,511,000
Manchu	2,418,000
Mongolian	1,463,000
Pu-i	1,247,000
Korean	1,120,000
T'ung	712,000
Yao	665,000
Pai	567,000
Kazakh	509,000
Ha-ni	481,000
Thai	478,000
33 other minorities	2,626,000
Total	35,021,000

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degree of control the Communist authorities have been able to exercise in a given area. The most violent reaction occurred in Tibet. The revolt there last March was the most serious challenge to Peiping's



Uighurs in State Store

authority in ten years of Communist rule.

The uprising apparently impressed Peiping with the urgency of accelerating Tibet's integration into the Chinese political and social structure. Last summer the Chinese began such "democratic reforms" as land redistribution. The first phase is scheduled for completion this spring and will be followed by succeeding stages in the socialization and collectivization process designed to bring Tibet into line with economic and political systems in China at large.

Although Communist progress in Tibet has been fairly steady since the revolt, scattered armed resistance continues to hamper Peiping's efforts. It seems likely that Tibetan opposition will continue to slow down the schedule for development of the area and impair the regime's relations with India.

In Sinkiang, the full extent of Uighur opposition to Communist rule has been difficult to gauge because of the scarcity of firm intelligence on developments there. It seems likely that serious unrest has occurred in parts of the region during the past several years. The major sources of information have been the Chinese Communists themselves, who since 1957 have complained about the prevalent problem of "local nationalism" there.

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Peiping acknowledged in August 1958 the existence of counterrevolutionary uprisings



Delivery of Tractors to a Sinkiang Farm

in unnamed parts of Sinkiang and purged local officials. In 1959 the Chinese further admitted that Sinkiang's 451 communes with their 30,000 mess halls had been responsible for the exodus of many natives to

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the Soviet Union. Opposition to Peiping's rule in Sinkiang would seem to be deep-seated, albeit ineffective in arresting the Chinese advance.

There has been no known opposition to socialist reform in Inner Mongolia, where Communist control was consolidated even before the Peiping regime was established in 1949. Inner Mongolia, in fact, illustrates Peiping's most successful technique for the complete consolidation of a minority area: saturation of the area with Chinese citizens. In the past ten years the ratio of Chinese to Mongols has increased from three to one to seven to one. This has been accomplished both by the mass migration of Chinese citizens into Inner Mongolia and by the incorporation of predominantly Chinese areas under the jurisdiction of the Inner Mongolian Autonomous Region.

No unrest has been reported in the Ninghsia Hui Autonomous Region or the Kwangsi Chuang Autonomous Region, China's other major minority areas. Peiping has been less successful with some of the smaller minority groups, however. Natives along the Burmese border in southwest China have fled the country in considerable numbers. Mass flights became so prevalent following the introduction of communes that Peiping reportedly was forced last spring to postpone the program in some areas.

Peiping's Intentions

Most of the land occupied by the minorities is largely unproductive at present, but it contains minerals and some farmland which could be developed by modern technology. Wang Feng, senior vice chairman of the regime's Nationalities Affairs Commission, writing in commemoration of Pei-

ping's tenth anniversary, provides the best public statement of the regime's progress and intentions. He writes that a "socialist system" has been installed in areas embracing 95 percent of the country's minority peoples. Thus only Tibet and "certain areas of very small population"--now in the earlier stage of "democratic reform"--remain outside the Communist pale.

Wang confirms that changes in economic and cultural features have become "greater and faster" in national minority areas since 1958. This progress he credits particularly to the success of the 1957-1958 rectification campaign and to the "leap forward" and commune programs.

Wang added that communes have been established in virtually all minority areas except Tibet. Most of these are composed of members of several nationalities; this is especially true where Chinese live side by side with non-Chinese. Wang feels this improves the "solidarity and cooperation" between the minorities and their Chinese neighbors. For the ethnic minorities, however, it is this "solidarity" that threatens their individual identity.

Wang leaves little doubt that Peiping intends to push through reforms in Tibet and the few remaining "backward" areas. Laying the responsibility for opposition to "peaceful" reformation on "exploiting and upper-strata" classes, Wang states that it will be necessary to "resolutely pulverize" them.

Both Wang's report and one by Ulanfu, the Mongol chairman of the Nationalities Affairs Commission, provide clues to some of Peiping's working methods in the minority areas. As is the rest of China's population,

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the minorities are being subjected to a large-scale campaign to enlist their participation in the "leap forward." Particular emphasis is placed on training in construction fields. This is necessary, according to Wang, because the key to the development of the ethnic minorities lies in the development of modern industry in their areas.

Peiping also considers it essential that Chinese manpower be transferred in large numbers to western areas in order to ensure continued Communist control. Many political and technical officials have already been sent there, as have sizable groups of young workers and farmers. Some 200,000 youths moved to Tsinghai from 1956 to 1959, and 100,000 are expected to arrive there annually from Honan Province. Kiangsu, Hupeh, and Anhwei provinces sent 100,000 youths and adults to Sinkiang during 1959. Especially in Tibet and Sinkiang, army troops and demobilized servicemen have played a major role both in enforcing Peiping's rule and in developing agricultural and industrial production.

An important feature of mass work among the minorities, as it is elsewhere in China, is the implementation of a "socialist education" movement. In Sinkiang and Inner Mongolia, which appear to be taking the lead in this campaign, the emphasis is on again overhauling the communes which were set up in 1958-1959. The problem this time is not in correcting difficulties resulting from overzealous implementation of the program but in criticizing the "capitalist thinking" of comparatively well-to-do peasants and in

overcoming general lack of enthusiasm for the communes. Both party members and the general populace are to be subject to "rectification," but party documents call for "mild" persuasion and education.

During the past ten years more than 500,000 ethnic minority peoples have been enrolled as members of the Chinese Communist party and over 900,000



Ha-ni Students

as members of the Young Communist League, the party's youth auxiliary. Over 11,000 students were enrolled in Communist China's five nationalities institutes at the end of 1958, and more than 26,000 had already graduated. Despite this intensive indoctrination, some Tibetan members of the party and graduates of nationalities institutes are said to have turned against the regime during the 1959 revolt.

The Communists appear to be in a good position to make further rapid progress in minority areas. Except in Tibet, not much opposition can be expected from the minorities. What little there is may retard Chinese Communist economic progress in the hinterlands, but it probably will not succeed in weakening Peiping's control.

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THE TURKISH ECONOMY 1959-1960

Turkey's economy, although still far from healthy, has improved substantially since the Western-backed \$359,000,000 stabilization program was adopted in August 1958. Now, however, Prime Minister Menderes, who may call for elections this year, has included in his 1960 budget several politically inspired and inflationary projects which depart from the economic policies recommended by the West. The ability of the Organization for European Economic Cooperation (OEEC) and probably the International Monetary Fund (IMF) to press Turkey to adhere to the principles of the stabilization

program in coming months has been weakened by disputes between Ankara and the OEEC as well as by Turkey's reluctance to accept economic advice.

In 1958, following almost nine years of Menderes' policy of development regardless of cost, Turkey was close to financial chaos despite substantial US aid. Foreign exchange reserves were virtually exhausted; the Turkish pound, officially set at 2.8 to the dollar, was quoted on the black market at more than 20 to one; and the government was unable to make scheduled payments on its foreign debt, which had soared

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ESTIMATED TURKISH BALANCE OF PAYMENTS
MILLION DOLLARS

	1959	1958
Exports	330	330
Imports (CIF)	-415	-435
Invisibles (Net)	-33	-35
Balance on Current Account	-118	-140
Direct Private Investment	10	15
Total Grants	128	80
PL 480 Credits	20	35
Other Loans and Credits	56	85
IMF Transactions	-10	+5
Total Repayments	-95	-88
Balance on Capital Account	109	132
Net Change in Foreign Assets Position	-9	-8

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period at 3 percent. To restore price stability and make Turkish exports competitive, the government adopted a de facto currency devaluation changing the rate to 9 pounds to the dollar for most transactions. Price controls were largely eliminated and import restrictions eased. Most importantly, credit was sharply curtailed and new government investment restricted.

Accomplishments

In the month following announcement of the stabilization program, economic activity in Turkey came to a virtual standstill, but by the end of 1958 the pace of recovery had picked up. The price control and currency measures all but eliminated the internal black market. Scarce goods reappeared on local markets, and both imports and exports began to increase substantially. Exports in 1959 probably amounted to about \$330,000,000--almost 35 percent more than 1958. Imports increased about \$100,000,000 to reach \$415,000,000. The 1959 deficit of \$85,000,000 in commodity trade, plus the \$33,000,000 deficit in "invisibles," will be made up almost entirely by Western aid.

No longer solely dependent on domestic production, Turkish consumers bought imported goods heavily. As a result some local industry was hard hit. Competitive prices forced some marginal firms out of business. In other fields, prices rose following the removal of price controls, and the purchasing power of the Turkish consumer dropped slightly. The textile industry was hit especially hard; widespread unemployment characterized this industry

to about \$1.2 billion. Domestic prices were increasing rapidly, and Turkish exports were being priced out of world markets. Exports in 1958 were only \$247,200,000, compared with more than \$345,000,000 in 1957.

Stabilization Program

The Menderes government reluctantly adopted a program to eliminate inflationary pressures, ensure a rapid increase of goods and services in the domestic economy, establish an investment program to strengthen the balance-of-payments position, and re-establish foreign trade on a sounder basis. To enable the Turks to carry out this program, the United States took the lead in persuading the OEEC and the European Payments Union (EPU) members and the IMF to extend credits and aid totaling \$359,000,000. Of this total the United States is providing \$234,000,000, the OEEC and EPU members \$100,000,000, and the IMF \$25,000,000.

Turkey also agreed to a rescheduling of its foreign debt. An agreement was concluded covering about \$440,000,000 of private debt--including more than \$60,000,000 owed to American firms--which was to be repaid over a 12-year

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